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KANGDA INTERNATIONAL ENVIRONMENTAL COMPANY LIMITED

康達國際環保有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 6136)

DISCLOSEABLE TRANSACTION CAPITAL INCREASE OF ZHONGYUAN KANGDA

CAPITAL INCREASE AGREEMENT

The Board is pleased to announce that on 3 December 2019 (after trading hours), Chongqing Kangda, a wholly-owned subsidiary of the Company, entered into the Capital Increase Agreement with Zhongyuan Kangda, pursuant to which, Chongqing Kangda agreed to make a further capital contribution in the total sum of RMB124 million to Zhongyuan Kangda, including RMB39 million by cash and RMB85 million by way of debt-to-equity swap, in proportion to its shareholding percentage in Zhongyuan Kangda for the time being (i.e. 31%) by 20 December 2019. Upon completion of the capital increase, the registered capital of Zhongyuan Kangda will be increased from RMB100 million to RMB500 million, which will be funded entirely by capital contributions made by its existing shareholders on a pro-rata basis and among which, the capital contribution by Chongqing Kangda to Zhongyuan Kangda will be increased from RMB31 million to RMB155 million, and the shareholding percentage of Chongqing Kangda in Zhongyuan Kangda will remain unchanged at 31%.

LISTING RULES IMPLICATIONS

As the highest of the applicable percentage ratios in respect of the Capital Increase Agreement and the transaction contemplated thereunder is greater than 5% but less than 25%, as calculated under Rule 14.07 of the Listing Rules, the Capital Increase Agreement and the transaction contemplated thereunder constitute a discloseable transaction for the Company and are subject to reporting and announcement requirements but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

CAPITAL INCREASE AGREEMENT

Date:	3 December 2019 (after trading hours)
Parties:	(1) Chongqing Kangda; and (2) Zhongyuan Kangda
Subject matter:	Conditional on the capital increase being made on a pro-rata basis, Chongqing Kangda agreed to make a further capital contribution in the total sum of RMB124 million to Zhongyuan Kangda, in proportion to the shareholding percentage of Chongqing Kangda in Zhongyuan Kangda
Payment of the capital contribution:	The capital contribution in the total amount of RMB124 million shall be made by Chongqing Kangda by 20 December 2019 with RMB39 million by cash and RMB85 million by way of debt-to-equity swap of all the shareholder's borrowing payable from Zhongyuan Kangda to Chongqing Kangda
Completion:	Upon completion of the capital increase by Chongqing Kangda and all the other shareholders of Zhongyuan Kangda in proportion to their respective shareholding in Zhongyuan Kangda, the registered capital of Zhongyuan Kangda will be increased from RMB100 million to RMB500 million, among which an aggregate of RMB155 million will be contributed by Chongqing Kangda with the shareholding of 31% unchanged

According to the information available to the Company, all of the other existing shareholders of Zhongyuan Kangda have decided to make further capital contribution to Zhongyuan Kangda on a pro-rata basis.

REASONS FOR AND BENEFITS OF ENTERING INTO THE CAPITAL INCREASE AGREEMENT

Zhongyuan Kangda currently owns and operates four wastewater treatment plants in Henan Province, the PRC and is expecting to carry out further wastewater projects (including but not limited to upgrading, reconstruction and construction works and operation of wastewater treatment plants). Through the further capital contribution by Chongqing Kangda and all the other existing shareholders of Zhongyuan Kangda, Zhongyuan Kangda can further strengthen its capital base and financial flexibility to broaden its business and develop the water market in Henan Province, the PRC. In addition, the capital contribution can be used to promote the business image and industry status of Zhongyuan Kangda and provide access to more business opportunities and ultimately improve the profitability for its shareholders. The Company is of the view that Zhongyuan Kangda has great growth potential and the investment in Zhongyuan Kangda will provide a steady investment return to the Company and its shareholders as a whole.

The Directors (including the independent non-executive Directors) considered that the terms and conditions of the Capital Increase Agreement and the transaction contemplated thereunder are fair and reasonable, reflect normal commercial terms or better and in the interests of the Company and its shareholders as a whole.

None of the Directors has material interests in the Capital Increase Agreement and the transaction contemplated thereunder and abstained from voting on the Board resolution approving the same.

INFORMATION ON ZHONGYUAN KANGDA

Zhongyuan Kangda is a limited liability company established in the PRC on 6 September 2016. Its principal business includes municipal engineering construction, construction and design for environmental protection projects, municipal infrastructure construction and management, etc. Zhongyuan Kangda is controlled as to 40% by Zhongyuan Equity Investment Management Co., Ltd.* (中原股權投資管理有限公司) which is ultimately controlled by the Department of Finance of Henan Province. The remaining interest of Zhongyuan Kangda is held as to 31% by Chongqing Kangda and 29% by Shanghai Yinlong Equity Investment Co., Ltd.* (上海銀龍股權投資有限公司), a subsidiary of China Water Affairs Group Limited which is a substantial shareholder of the Company. The Directors have confirmed that to the best of the directors' knowledge, information and belief having made all reasonable enquiry, the Department of Finance of Henan Province, being the ultimate beneficial owner of Zhongyuan Kangda, is a third party independent of the Company and its connected persons.

Financial information of Zhongyuan Kangda

Set out below is the audited financial information of Zhongyuan Kangda for the two years ended 31 December 2018 and as at the end of the years prepared according to the General Accepted Accounting Principles of the PRC:

	For the year ended 31 December 2018 (RMB'000)	For the year ended 31 December 2017 (RMB'000)
Revenue	39,775	—
Profit/(loss) before taxation	(31,426)	(7,015)
Profit/(loss) after taxation	(30,831)	(7,015)
	As at 31 December 2018 (RMB'000)	As at 31 December 2017 (RMB'000)
Net assets	67,369	93,741

The net assets of Zhongyuan Kangda as at 31 August 2019 is approximately RMB46,927,000 according to the unaudited management accounts of Zhongyuan Kangda.

INFORMATION ON CHONGQING KANGDA AND THE GROUP

Chongqing Kangda is a limited liability company established in the PRC on 19 July 1996, which is indirectly held by the Company as to 100%. It is primarily engaged in investment and operation of wastewater treatment facilities in the PRC.

The Group is mainly engaged in investing in and operating wastewater treatment facilities in the PRC.

LISTING RULES IMPLICATIONS

As the highest of the applicable percentage ratios in respect of the Capital Increase Agreement and the transaction contemplated thereunder is greater than 5% but less than 25%, as calculated under Rule 14.07 of the Listing Rules, the Capital Increase Agreement and the transaction contemplated thereunder constitute a discloseable transaction for the Company and are subject to reporting and announcement requirements but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“Board”	the board of Directors
“Capital Increase Agreement”	the capital increase agreement entered into between the Chongqing Kangda and Zhongyuan Kangda on 3 December 2019 (after trading hours) in relation to the further capital contribution by Chongqing Kangda to Zhongyuan Kangda
“Chongqing Kangda”	Chongqing Kangda Environmental Protection Industry (Group) Co., Ltd.* (重慶康達環保產業(集團)有限公司), a limited liability company established in the PRC on 19 July 1996, an indirectly wholly-owned subsidiary of the Company
“Company”	Kangda International Environmental Company Limited (康達國際環保有限公司), a company incorporated in Cayman Islands with limited liability whose shares are listed on the Main Board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“PRC”	the Peoples’ Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Zhongyuan Kangda”	Zhongyuan Kangda Environmental Protection Industry Co., Ltd.* (中原康達環保產業有限公司), a limited liability company established in the PRC on 6 September 2016
“%”	percentage

* *For identification purposes only*

By order of the Board
Kangda International Environmental Company Limited
LI Zhong
Co-Chairman

Hong Kong, 3 December 2019

As at the date of this announcement, the Board comprises seven Directors, namely Mr. ZHAO Juanxian (alias, ZHAO Junxian), Mr. LI Zhong, Ms. LIU Yu Jie and Mr. DUAN, Jerry Linnan as executive Directors; and Mr. CHAU Kam Wing, Mr. CHANG Qing and Mr. PENG Yongzhen as independent non-executive Directors.